# Money-Dealing Capital

**Capital Volume 3, Part 4: Conversion of Commodity-Capital and Money-Capital into Commercial Capital and Money-Dealing Capital (Merchant's Capital)**

Since 2008 in particular, the world has been described as being in a “global economic meltdown”. This crude bogey is not in fact a new phenomenon. The nature of banking and money-dealing has been well known since the publication of Capital Volume 3, as was noted in various publications at the start of the “meltdown”. One good example **is an article by Dave Lindorff in CounterPunch on 3 October 2008**, which quotes **Chapter 30 in Part 5 of Capital Volume 3** (“Money Capital and Real Capital”) to show that Marx had in that chapter described the working of the “meltdown” very completely and very concisely.

Here is the quote, with Lindorff's edits:

*"In a system...where the entire continuity of the...process rests upon credit, a crisis must obviously occur -- a tremendous rush for means of payment -- when credit suddenly ceases and only cash payments have validity. At first glance, therefore, the whole crisis seems to be merely a credit and money crisis. And in fact it is only a question of the convertibility of bills of exchange into money. But the majority of these bills represent actual sales and purchases, **whose extension far beyond the needs of society** is, after all, the basis of the whole crisis. At the same time, an enormous quantity of these bills of exchange represents plain swindle, which now reaches the light of day and collapses; furthermore, unsuccessful speculation with the capital of other people; finally, commodity-capital which has depreciated or is completely unsaleable, or returns that can never more be realized again. The entire artificial system of forced expansion of the [economy] cannot, of course, be remedied by having some bank, like the [Federal Reserve], give to all the swindlers the deficient capital by means of its paper and having it buy up all the depreciated commodities at their old nominal values. Incidentally, everything here appears distorted, since in this paper world, the real price and its real basis appear nowhere, but only bullion, metal coin, notes, bills of exchange, securities. Particularly in centres where the entire money business of the country is concentrated, like London [or New York]...the entire process becomes incomprehensible."*

Broadly it appears that the ability of bankers and of traders in financial instruments to create money is unrestrained. In Marx's time there was a link between money and gold and silver, and this link remained, officially, until the 1970s. The de-facto position of gold remains, but even gold has now been fictionalised to an extent, so that there is a lot more gold "on the books" than physically exists.

This is therefore another area wherein the writings of Karl Marx, particularly here in Capital, Volume 3, speak directly to the bourgeois economists of today. Marx is however quite explicit in saying that the source of increase of wealth in capitalist society remains one and the same as before: surplus value extracted by the exploitation of labour power paid for with wages at the point of production.

In **Chapter 19, on "Money-Dealing Capital"** (attached; download linked below) Marx states at the beginning:

> *"A definite part of the total capital dissociates itself from the rest and stands apart in the form of money-capital, whose capitalist function consists exclusively in performing these operations for the entire class of industrial and commercial capitalists. As in the case of commercial capital, a portion of industrial capital engaged in the circulation process in the form of money-capital separates from the rest and performs these operations of the reproduction process for all the other capital. The movements of this money-capital are, therefore, once*

> *more merely movements of an individualised part of industrial capital engaged in the reproduction process.”*

There is nothing in the above to suggest that the identification of the extraction of surplus value in Capital Volume 1 as the essence of capital has been surpassed or rendered obsolete. On the contrary, Capital Volume 1 is hereby confirmed as continuing to be the essential and necessary basis and foundation in reality upon which the ever-more-fantastic world of money-dealing is erected.

Marx concludes the chapter as follows:

> *“It is evident that the mass of money-capital with which the money-dealers operate is the money-capital of merchants and industrial capitalists in the process of circulation, and that the money-dealers' operations are actually operations of merchants and industrial capitalists, in which they act as middlemen.*
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> *“It is equally evident that the money-dealers' profit is* ***nothing but a deduction from the surplus-value****, since they operate with already realised values (even when realised in the form of creditors' claims).”*

**“Nothing but a deduction from the surplus-value”** is as plain a statement as could be, and this corresponds to the current jargon of “the real economy”, or in other words, of “Main Street” as opposed to “Wall Street”.

The distinction is the same as the one between the financial economy and the "productive economy", referred to during the Red October campaign of 2014 in South Africa. Under capitalism, the "productive economy" is the economy of extraction of surplus value.

- **The above is to introduce the original reading-text: Capital Volume 3, Chapter 19, Money-Dealing Capital.**

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